

OTTAWA RECREATION COMMISSION

Ottawa, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2017

OTTAWA RECREATION COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ottawa Recreation Commission
Ottawa, Kansas

Report in the financial statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Ottawa Recreation Commission, as of and for the year ended June 30, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note C of the financial statement, the financial statement is prepared by the Ottawa Recreation Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ottawa Recreation Commission as of June 30, 2017, or changes in financial position and cash flows thereof for the year then ended.

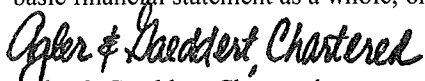
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Ottawa Recreation Commission as of June 30, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

Other Matters

Report on Regulatory Basis Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.


Agler & Gaeddert, Chartered
July 31, 2018

OTTAWA RECREATION COMMISSION

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

REGULATORY BASIS

For the year ended June 30, 2017

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Cash Receipts</u>
Governmental Type Funds		
General fund	\$ 669,519	\$ 900,544
Special Purpose Funds		
Employee Benefits	<u>7,271</u>	<u>133,631</u>
	\$ <u><u>676,790</u></u>	\$ <u><u>1,034,175</u></u>

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 884,959	\$ 685,104	\$ 7,291	\$ 692,395
<u>133,774</u>	<u>7,128</u>	<u>28,393</u>	<u>35,521</u>
\$ <u><u>1,018,733</u></u>	\$ <u><u>692,232</u></u>	\$ <u><u>35,684</u></u>	\$ <u><u>727,916</u></u>

Composition of cash and investments:

Peoples Bank Checking	\$ 417,761
Kansas State Bank Checking	241,335
Garnett State Service Bank	68,227
Kansas State Bank CD	400
Great Southern CD	93
Petty Cash	<u>100</u>
	\$ <u><u>727,916</u></u>

The accompanying notes are an integral part of this statement.

OTTAWA RECREATION COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2017

NOTE A. MUNICIPAL REPORTING ENTITY

Ottawa Recreation Commission (the Commission) is a related municipal entity of Unified School District No. 290 (the District). The Commission operates as a separate governing body but the District levies the tax for the commission and the Commission only has the power granted by statutes, K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift. The five members of the Commission's governing body are appointed as follows: two by the District, two by the City of Ottawa, and one by the District's and City's appointees. The Commission has no related municipal entities.

NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the Commission are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Commission potential could have the following types of funds.

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenues sources that are intended for specific purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The Commission did not have any funds of this type for the current year.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment. The Commission did not have any funds of this type for the current year.

Business Fund – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.). The Commission did not have any funds of this type for the current year.

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity). The Commission did not have any funds of this type for the current year.

Agency Fund – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund). The Commission did not have any funds of this type for the current year.

NOTE C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

OTTAWA RECREATION COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2017

NOTE C. BASIS OF ACCOUNTING - continued

Ottawa Recreation Commission has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

NOTE D. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board.

NOTE E. CASH AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

OTTAWA RECREATION COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2017

NOTE E. CASH AND INVESTMENTS - continued

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk - State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Commission has no investments other than money markets.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at June 30, 2017.

At June 30, 2017, the carrying amount of the Commission's cash was \$727,916 (which includes \$100 in cash on hand) and the bank balance was \$743,006. The bank balance was held by four banks which reduces concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$551,980 was covered by federal depository insurance, and \$191,026 was collateralized with securities held by the pledging financial institution's agents in the Commission's name.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The Commission (other than the Endowment as described below) had no such investments at year end.

NOTE F. INTERFUND TRANSFERS

There were no transfers between funds in 2017

NOTE G. LONG-TERM OBLIGATIONS FROM OPERATIONS

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Principal Balance	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid
Recreation Facility	\$ 1,275,000	\$ -	\$ 60,000	\$ 1,215,000	\$ 48,288
Toshiba Lease	19,743	-	6,403	13,340	-
Total	\$ 1,294,743	\$ -	\$ 66,403	\$ 1,228,340	\$ 48,288

OTTAWA RECREATION COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2017

Recreation Facility. On July 1, 2010, the Commission has entered into an agreement with the Ottawa Unified School District No. 290 to build a new recreation facility. The future minimum payment obligations under this agreement as of June 30, 2017 are as follows:

Year Ended June 30	Principal	Interest	Total
2018 \$	65,000	\$ 46,413	\$ 111,413
2019	65,000	44,463	109,463
2020	65,000	42,391	107,391
2021	70,000	40,113	110,113
2022	70,000	37,619	107,619
2023	75,000	34,900	109,900
2024	75,000	32,088	107,088
2025	80,000	29,081	109,081
2026	80,000	25,881	105,881
2027	85,000	22,581	107,581
2028	90,000	19,081	109,081
2029	95,000	15,203	110,203
2030	95,000	11,047	106,047
2031	100,000	6,781	106,781
2032	105,000	2,297	107,297
	<u>\$ 1,215,000</u>	<u>\$ 409,939</u>	<u>\$ 1,624,939</u>

Toshiba Lease. In 2014 the Commission entered into a lease for copier equipment with Toshiba. The future minimum payment obligations under this agreement as of June 30, 2017 are as follows:

Year Ended June 30	Principal
2018 \$	6,403
2019	6,403
2020	534
	<u>\$ 13,340</u>

Compensated Absences: Full time employees may accrue vacation at varying intervals according to length of service up to a maximum of 200 hours. Vacation is paid upon resignation or retirement.

There is no accrual for vacation in these financial statements. The amounts if accrued for vacation and sick leave would be \$26,082

Sick leave accrues at the rate of 8 hours per month for full-time employees, up to a maximum of 480 hours. Employees must be with the Commission for six months before they may take sick pay. The Commission does not pay out unused sick pay upon termination.

OTTAWA RECREATION COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2017

NOTE H. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description – Ottawa Recreation Commission participates in the Kansas Public Employees Retirement System (KPERS) which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901. et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions - KSA 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according the provisions of Section 414(h) on the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 9.18% for the fiscal year ended December 31, 2015. Contributions to the pension plan from the Commission were \$30,919 for the year ended June 30, 2017.

Net Pension Liability

At June 30, 2017, the Commission's proportionate share of the collective net pension liability reported to KPERS was \$275,858. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The Commission's proportion of the net pension liability was based on the ratio of the Commission's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS for the fiscal year ended June 30, 2016. Since the KMAAG regulatory basis of accounting does not recognized long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE I. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

OTTAWA RECREATION COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2017

NOTE J. OTHER INFORMATION

Compliance with Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

Management is not aware of any statutory violations in the period covered by this audit.

Use of restricted versus unrestricted unencumbered cash and receipts: The Commission uses restricted unencumbered cash and receipts first when both restricted and unrestricted unencumbered cash or receipts are available.

Subsequent Events: The Commission evaluated subsequent events through July 31, 2018, the date the financial statements were available to be issued. No subsequent events were identified which require disclosure.

REGULATORY BASIS
SUPPLEMENTARY INFORMATION

OTTAWA RECREATION COMMISSION

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

For the year ended June 30, 2017

Fund	Certified Budget
Governmental Type Funds	
General fund	\$ 1,052,750
Employee Benefit	134,750

See Independent Auditor's Report.

Schedule 1

<u>Adjustment for Qualifying Budget Credits</u>		<u>Total Budget for Comparison</u>		<u>Expenditures Chargeable to Current Year</u>		<u>Variance Over (Under)</u>	
\$	0	\$	1,052,750	\$	884,959	\$	(167,791)
	0		134,750		133,774		(976)

See Independent Auditor's Report.

OTTAWA RECREATION COMMISSION

Schedule 2a

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

For the year ended June 30, 2017

	2017		Variance
	Actual	Budget	Over (Under)
Cash Receipts			
Ad Valorem Tax	\$ 583,992	\$ 541,770	\$ 42,222
Motor Vehicle Tax	69,375	64,258	5,117
Delinquent Tax	15,505	13,504	2,001
Interest Income	68	60	8
Facility Rentals	47,508	40,000	7,508
Concessions	5,258	9,000	(3,742)
Forest Park Pool	49,676	40,000	9,676
Teens Inc.	26,526	15,000	11,526
Tournaments	0	500	(500)
Senior Programs	13,332	8,250	5,082
Adult Programs	12,249	18,000	(5,751)
Youth Programs	59,771	58,000	1,771
Pre-K Programs	8,910	7,000	1,910
Outdoor & Nature	50	500	(450)
Special Events	534	1,500	(966)
Miscellaneous	7,790	7,000	790
Total cash receipts	<u>900,544</u>	<u>\$ 824,342</u>	<u>\$ 76,202</u>
Expenditures			
Salaries and Benefits			
Administration	505,731	\$ 562,000	\$ (56,269)
Capital Projects	161,641	205,500	(43,859)
Facilities	63,495	67,800	(4,305)
Concessions	2,781	14,200	(11,419)
Forest Park Pool	49,566	66,050	(16,484)
Teens Inc.	13,575	20,150	(6,575)
Tournaments	0	500	(500)
Senior Programs	1,775	2,450	(675)
Adult Programs	7,486	12,250	(4,764)
Youth Programs	24,865	33,500	(8,635)
Pre-K Programs	2,977	5,250	(2,273)
Utilities & Services	50,662	59,600	(8,938)
Outdoors & Nature	0	500	(500)
Special Events	405	3,000	(2,595)
Total expenditures	<u>884,959</u>	<u>\$ 1,052,750</u>	<u>\$ (167,791)</u>
Receipts over (under) expenditures	15,585		
Unencumbered cash, beginning of year	<u>669,519</u>		
Unencumbered cash, end of year	<u>\$ 685,104</u>		

See Independent Auditor's Report.

OTTAWA RECREATION COMMISSION

Schedule 2b

SPECIAL PURPOSE FUNDS EMPLOYEE BENEFITS SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL REGULATORY BASIS For the year ended December 31, 2017

	2017		Variance Over (Under)
	Actual	Budget	
Cash receipts			
Ad Valorem Tax	\$ 116,912	\$ 108,344	\$ 8,568
Delinquent Tax	2,841	2,702	139
Motor Vehicle Tax	13,878	12,874	1,004
Total cash receipts	133,631	\$ 123,920	\$ 9,711
Expenditures			
Payroll Taxes	37,823	\$ 32,000	\$ 5,823
Medical Insurance	64,652	65,000	(348)
Retirement	30,919	37,000	(6,081)
Unemployment Taxes	380	750	(370)
Total expenditures	133,774	\$ 134,750	\$ (976)
Receipts over (under) expenditures	(143)		
Unencumbered cash, beginning of year	7,271		
Unencumbered cash, end of year	\$ 7,128		

See Independent Auditor's Report.